

Message Text

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E.O. 11652: N/A

TAGS: EAIR, BEXP, PL

SUBJECT: CURRENT STATUS OF MCDONNELL-DOUGLAS AND BOEING SALES
EFFORTS IN POLAND

1. REPRESENTATIVES OF MCDONNELL-DOUGLAS AND BOEING AIRCRAFT COMPANIES, WHO HAVE BEEN TRYING TO SELL 727/DC-9 TYPE AIRCRAFT TO POLAND FOR OVER TWO YEARS, HAVE TOLD THE EMBASSY THAT THREE PROBLEMS REMAIN.

2. THE FIRST PROBLEM IS POLAND'S CHRONIC SHORTAGE OF HARD CURRENCY, WHICH MAKES POLISH AUTHORITIES INSIST THAT NO SALE CAN BE MADE WITHOUT PROVISIONS FOR AN OFFSET PROGRAM THAT WOULD BRING HARD CURRENCY TO POLAND. THE SALES PROPOSALS FROM BOTH U.S. FIRMS INCLUDE OFFSET PROGRAMS.

3. THE SECOND OBSTACLE IS THE POSSIBILITY THAT BRITAIN OR FRANCE MAY PROVIDE GOVERNMENT EXPORT FINANCING FOR THEIR AIRCRAFT FIRMS AT TERMS WHICH COULD NOT BE MATCHED BY THE U.S. FIRMS EVEN WITH EXIM BANK PARTICIPATION. THE MCDONNELL-DOUGLAS REPRESENTATIVE WAS PARTICULARLY EMPHATIC ON THIS SINCE HE IS CONVINCED THAT M/D LOST OUT TO THE BAC-111 IN ROMANIA PRECISELY BECAUSE M/D COULD NOT MATCH BRITISH FINANCING.

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4. THE THIRD PROBLEM IS THE QUESTION OF POLITICAL

FEASIBILITY: E.E., CAN POLAND PURCHASE WESTERN AIRCRAFT FOR ITS AIRLINE WHICH IS NOW EQUIPPED EXCLUSIVELY WITH SOVIET EQUIPMENT? THIS QUESTION WAS RAISED AT A HIGH LEVEL ON MAY 17 WHEN GOVERNOR MOORE OF WEST VIRGINIA, WHO WAS IN POLAND AS THE PRESIDENT'S PERSONAL REPRESENTATIVE TO THE OPENING OF AN AMERICAN BICENTENNIAL EXHIBITION, MET WITH POLISH PREMIER JAROSZEWICZ. JAROSZEWICZ'S RESPONSE WAS NON COMMITTAL.

5. THE MCDONNELL-DOUGLAS REPRESENTATIVES RAISED THE SAME ISSUE ON MAY 20 DURING THEIR CALL ON VICE MINISTER OF FOREIGN TRADE AND MARITIME ECONOMY, STANISLAW DLUGOSZ. DLUGOSZ ALSO WAS NON COMMITTAL, BUT HE ENCOURAGED MCDONNELL-DOUGLAS TO SUBMIT A NEW PROPOSAL CONTAINING A DETAILED ANALYSIS OF THE FOREIGN-EXCHANGE FLOWS THAT WOULD BE GENERATED BY SUCH A PURCHASE. THE VICE MINISTER EXPRESSED THE HOPE THAT THE ANALYSIS WOULD SHOW A MINIMUM FOREIGN-EXCHANGE OUTFLOW.

6. COMMENT: DLUGOSZ'S COMMENTS INDICATE THAT THE POLES BELIEVE THE POLITICAL PROBLEM IS NOT INSURMOUNTABLE. WHEN AND IF THE POLES FINALLY DECIDE THAT PURCHASE OF WESTERN AIRCRAFT IS ACCEPTABLE, THE OFFSET PROGRAMS AND THE AVAILABILITY OF EXIM BANK FINANCING WILL DETERMINE THE SUPPLIER.
DAVIES

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